

Chapter 7: Allowable Costs

HIGHLIGHTS OF CHAPTER:

- Background
- Compensation for Personal Services
- Conferences and Workshops
- Food and Beverages
- Travel
- Space
- Printing
- Publication
- Duplication
- Production
- Other Allowable Costs

BACKGROUND

Allowable costs are those costs identified in the circulars and in the grant program's authorizing legislation. In addition, costs must be reasonable, allocable, necessary to the project, and comply with the funding statute requirements. A discussion of certain elements of cost follows.

COMPENSATION FOR PERSONAL SERVICES

1. **Two or More Federal Grant Programs.** Where salaries apply to execution of two or more grant programs, cost activities, project periods, and/or overlapping periods, proration of costs to each activity must be made based on time and/or effort reports. In cases where two or more grants constitute one identified activity or program, salary charges to one grant may be allowable after written permission is obtained from the awarding agency. Salary supplements including severance provisions and other benefits with non-Federal funds, are prohibited without approval of the awarding agency. (Refer to OMB Circular A-87, Attachment B, OMB Circular A-122, or OMB Circular A-21).
2. **Extra Work.**
 - a. A State or local government employee may be employed by a recipient or subrecipient, in addition to his or her full-time job, provided the work is performed on the employee's own time and:
 - (1) The compensation is reasonable and consistent with that paid for similar work in other activities of State or local government;
 - (2) The employment arrangement is approved and proper under State or local regulations (e.g., no conflict of interest); and
 - (3) The time and/or services provided are supported by adequate documentation.
 - b. To avoid problems arising from overtime, holiday pay, night differential, or related payroll regulations, such employment arrangements should normally be made directly by the recipient or subrecipient with the individual, unless there has been a transfer or loan of the employee for which his/her regular and overtime services provided are to be charged to or reimbursed by the recipient or subrecipient. Overtime and night differential payments are allowed only to the extent that payment for such services is in accordance with the policies of the State or unit(s) of local government and has the approval of the State or the awarding agency, whichever is applicable.

Note: The overtime premium should be prorated among the jobs and not charged exclusively to the awarding agency funds.

- c. Payment of these premiums will be for work performed by award or subaward employees in excess of the established work week (usually 40 hours). Executives, such as the President or Executive Director of an organization, may not be reimbursed for overtime or compensatory time under grants and cooperative agreements. Payment of continued overtime is subject to periodic review by the awarding agency.

3. **Award Purposes and Dual Compensation.** Charges of the time of State and local government employees assigned to assistance programs may be reimbursed to the extent they are directly and exclusively related to the award or proper for inclusion in the indirect cost base.

Note: In no case is dual compensation allowable. That is, an employee of a unit of government may not receive compensation from his/her unit or agency of government AND from an award for a single period of time (e.g., 1 p.m. to 5 p.m.), even though such work may benefit both activities.

CONFERENCES AND WORKSHOPS

Allowable costs may include:

- Conference or meeting arrangements;
- Publicity;
- Registration;
- Salaries of personnel;
- Rental of staff offices;
- Conference space;
- Recording or translation services;
- Postage;
- Telephone charges;
- Travel expenses (this includes transportation and subsistence for speakers or participants); and
- Lodging.

Effective January 1, 2001, all OJP funded contracts for events that include lodging for 30 or more participants (both Federal and non-Federal) lodging costs must not exceed the Federal per diem rate for lodging. In the event the lodging rate is not the Federal per diem rate or less, none of the lodging costs associated with the event would be allowable costs to the award. As a result, the recipient would be required to pay for all lodging costs for the event, not just the amount in excess of the Federal per diem. For example, if the Federal per diem for lodging is \$78 per night, and the event lodging rate is \$100 per night, the recipient must pay the full \$100 per night with non-grant funds, not just the difference of \$22 per night.

FOOD AND BEVERAGES

Food and/or beverage expenses provided by recipients are allowable subject to conditions stated below:

- Food and/or beverages are provided to participants at training sessions, meetings, or conferences that are allowable activities under the particular OJP program guidelines.
- Expenses incurred for food and/or beverages and provided at training sessions, meetings, or conferences must satisfy the following three tests:

Test 1—The cost of the food and/or beverages provided are considered to be reasonable.

Test 2—The food and/or beverages provided are subject of a work-related event.

Test 3—The food and/or beverages provided are not related directly to amusement and/or social events. (Any event where alcohol is being served is considered a social event; and, therefore, costs associated with that event are not allowable.)

- The recipient adheres to the applicable definitions for food and beverages contained in the Financial Guide Glossary.

Each recipient that desires to purchase food and/or beverages under a grant, or contract under a grant, should follow the food and beverage policy guidelines. Guidance should be applied within the context of each individual situation. While food and/or beverages are allowable, recipients are not required to provide them at training sessions, meetings, or conferences.

NOTE: The presence of Federal employees does not prevent the recipient from providing food and beverages under its three tests.

To determine whether costs associated with food and/or beverages are allowable, the recipient or sub-recipient providing the food and/or beverages must consider:

1. To whom the food and/or beverages will be provided;
2. Under what conditions the food and/or beverages will be provided; and
3. That the appropriate three tests have been satisfied.

For example:

Example a. A recipient-sponsored event is held at the L'Enfant Plaza Hotel to discuss policy topics. The event includes a working lunch with a speaker and breaks at which food and beverages are offered. Federal agency employees, as well as employees of the recipient and non-agency persons, are invited.

This scenario meets all components of the three tests; therefore, food and beverages may be provided with grant funds.

Example b. A recipient offers a “hospitality suite” the night before its conference at the L'Enfant Plaza Hotel. Federal agency employees, as well as employees of the recipient and non-agency persons, are invited.

This scenario fails the three tests because food and beverages must not be directly related to amusement or social events. Although the conference is work-related, the hospitality suite is purely a “social event.” Therefore, food and beverages **may not** be provided with grant funds.

NOTE: Food and beverage costs for events within events may be unallowable. For example:

Unallowable—Event A includes 200 participants. Food and beverages are requested for event B, which directly **relates** to event A, but includes only a small percentage of the 200 participants